

NO DECLINE IN BUILDING COSTS

Industrial Leaders See No Early Price Decline; Urge Construction Now

Leading bankers, merchants, and insurance men throughout the country are unqualified in their statement that there will be no early decline in building and construction costs. In statements prepared at the instance of Director General Roger W. Babson, of the Department of Labor, these men declare with certainty that there will be no sudden decline of prices following the signing of the treaty of peace other than the elimination of war prices, which were made necessary to stimulate production in high cost plants.

J. Ogden Armour says that the greatest danger to our economic structure today arises from the failure of many to recognize a new and higher level of prices, based on permanently increased cost of labor and high taxation.

"Those who postpone building or buying in the hope of materially lower prices are speculating in the future misfortune of the nation," he says, "for falling prices, when reaching the point where profit is eliminated, mean panic, depression, unemployment, and other troubles."

"Nothing in the labor situation warrants any one in expecting materially lower costs of commodities in general, and building in particular. Wages will not be less for several fundamental reasons, viz:

"1. The practical stoppage of immigration since 1914, depriving America of the several million workers who would normally have come to our shores.

"2. The retention by the nation's military and naval establishments of nearly 2,000,000 workers, which may continue for an indefinite period.

"3. The creation of new industries, such as shipbuilding, and manufacture of chemicals and dyes, requiring hundreds of thousands of workers.

"4. The urgent demand for building and construction of every class, due to their having been forcibly held back for several years.

"5. The shortage of the world's food supply.

"6. The proportionately higher levels of commodity prices existing practically all over Europe.

Face Labor Shortage.

"On the one hand, then, we are facing a serious shortage of labor as soon as we approach normal industrial activity, and on the other hand, there is confronting us a tremendous unsatisfied demand for many necessities which it was difficult or impossible to obtain during the war. A new level of prices has been established from which there can be no material recession until inventive genius succeeds in correspondingly increasing labor's productive capacity by mechanical means."

James B. Forgan, president of the First National Bank of Chicago, asserts:

"While it is my belief that the general trend of prices during the next decade may be downward, I do not anticipate any sudden violent tumble in the near future beyond the elimination of war prices made necessary to stimulate production in high-cost plants. We cannot eat our cake and have it. We cannot immediately have low-priced products with high-cost labor."

"At no time was honest labor more indispensable than during the war, and during that period the average weekly wage of all workers was greatly advanced. Out of the war has come a strong realignment of the value of labor to civilization, and we must accustom ourselves to the evident fact that a permanently higher scale of wages or compensation has been established for the world's worker, both skilled and unskilled."

Gen. George W. Goethals expressed the view that we can return to neither pre-war prices nor pre-war conditions.

"Every thoughtful employer of labor," he says, "realizes that the wage earner is entitled to proportionately more of the comforts and conveniences of life than fell to his share before the war. Every thoughtful buyer should realize that the price he pays for goods must be in proportion to the increased cost of

labor. Also that labor, in the broadest sense, constitutes over 75 per cent of the cost of most products of farm, forest, mine, factory, and laboratory.

"The manufacturer, employer, or individual who is selling his own labor, brains or product at a high though reasonable price should not expect to buy cheaply from others. Let us be careful, in our cry for lower prices, not to forget that permanent improvement of living conditions is effected only by increased efficiency of the forces of production. And experience shows such increase of efficiency is at best a slow process, a process of years and perhaps decades."

A. Barton Hepburn, president of the Chase National Bank, New York, writes:

Should Fight Reduction.

"As long as the minimum price of wheat is fixed by the Government at \$2.25 a bushel and other necessities of the wage earner are approximately as high in proportion, there is every reason why labor should contend against reduction. With a recession in the cost of living there should be a corresponding reduction in the cost of labor. The employers of labor cannot go on paying present wages, nor, indeed, any wages, unless their business continues, and it has seemed to me that the closing of certain industries would throw labor out of employment. In seeking new employment they would accept the reduction in accordance with what the industry could afford to pay."

"I understand that this is why you are contending against, and you seek to induce manufacturers, wholesalers, retailers, and consumers to accept the present prices for goods and commodities and continue business, thereby insuring the employment of labor at the present level of wages. You very likely will be successful as to the large industries, but I think there will be more or less readjustment of the wage scale on a lower level in the small industries and in various localities."

Cause For Rejoicing.

Jacob H. Schiff, the New York banker, says, in part:

"For four years the orderly production and maintenance of peace-time activity has been most violently interrupted throughout the civilized world, causing on the one hand a heavy depreciation of property and on the other hand an appalling destruction of all those things which are vital to human happiness, life, and activity. The reconstruction is going to tax our efforts perhaps even harder than did the war, the latent demand for labor and commodities being tremendous."

There is cause for rejoicing in these conditions, for intense activity, even though accompanied by high prices, is far to be preferred to the blight of inactivity, stagnation, idleness, and suffering attendant upon unsound, unbalanced production, and rapidly falling prices.

"After all, it is not a question so much of what price each of us has to pay for what we want, but as to what relation this price bears to our own income. Those millions of men and women whose incomes have grown apace with or ahead of the general price advance have abundant cause for satisfaction. Yet how often do we not hear these same people unwittingly complain of high prices, their attitude being that high prices is a privilege that belongs to themselves only, in the selling of their own labor or wares, but has no place in their scheme of buying."

Law of Supply and Demand.

Thomas Coleman du Pont writes: "The thing that is going to make labor and material go down, with a few exceptions or little local variations, is the law of supply and demand. So long as there is a demand for an article, its price will be high. The greater the demand the higher the price, and if the cost of this article is labor the price of labor will continue high on that article, and so on down the list. We are going through a transition period, which has followed and will follow every economic disturbance."

"Will wages be higher when things

settle down than before? Yes, I think they will, because wages have continued to advance in this country year after year, but the cost of living and the desire for luxuries, too, have advanced so that relatively the condition is the same."

Theodore N. Vail, president of the American Telegraph and Telephone Company, says:

"The principal cause of the gradual return to pre-war price levels has been ascribed to the rapid transformation of manufacturing, agriculture, mining, transportation, and business in general, from hand methods to machine methods, from small scale to large scale production. Opportunities do not exist at the present day in any measure comparable with those of the period following the civil war. Price declines so far, since the cessation of hostilities, bear this out, having been trifling—only 5 or 6 per cent up to April 1, 1919, as compared with over 25 per cent for the corresponding period of the civil war."

Cost of Food Will Remain High.

Darwin P. Kingsley, President of the New York Life Insurance Company of New York, observes:

"For many years food will be higher. Europe has been so stripped of every sort of food that it will take more than the harvests of 1919 to restore an equilibrium. Food will remain high because wages will not go back to the pre-war level. Wages will fall at some points, where the production was over-forced during the war; but unless our whole industrial and financial fabric falls into chaos—and nothing like that seems possible now—the post-bellum readjustments mean continued high wages, and of course a higher cost for everything into which wages enter."

"How far discoveries in science, inventions, improved methods, etc., may go toward overcoming this increased cost through increasing efficiency and increased production is a question. These will be a factor, possibly a surprising factor, because the rewards will be large, and few things so quicken invention and efficiency as the incentive of large returns."

"Carry the message to the Bolsheviks."

John D. Ryan, president of the Anaconda Copper Company says:

"I am rather a firm believer in the natural economic laws, and I do not find myself in accord with the impression that many people seem to have that the level of prices is not likely to be radically changed over the decade. I believe that prices must be made that will equalize consumption and production."

Some Prices Lower.

"We have seen some sharp adjustments already from war prices, and in every product in which the companies with which I am connected are interested prices have gone back to pre-war averages, and in some cases lower. These products are copper, zinc, lead, and manganese."

"I do not believe that the level of prices will fall permanently as low as before the war, but I am convinced that we can now look for gradual adjustments in most staple products. I think prices will have to be put where building and development of all kinds must be encouraged before we will see consumption approach production in staples. I think the adjustments which are necessary labor will have to contribute its share, or unemployment on a very serious scale is bound to result."

Julius Rosenwald, president of Sears, Roebuck & Co., of Chicago, states:

"It is my belief that the range of prices for the necessities of life will average little, if any, lower than at the present time."

John Hays Hammond, the mining engineer, says:

"As regards the future wage scale, I am of the opinion that we should not expect any significant reduction, nor should we desire such a reduction. We should not expect a lower wage scale, because there can be but little doubt that America faces a new era in her national development; that the future holds immeasurable potentialities; that at no time in the life of the nation has the outlook been brighter."

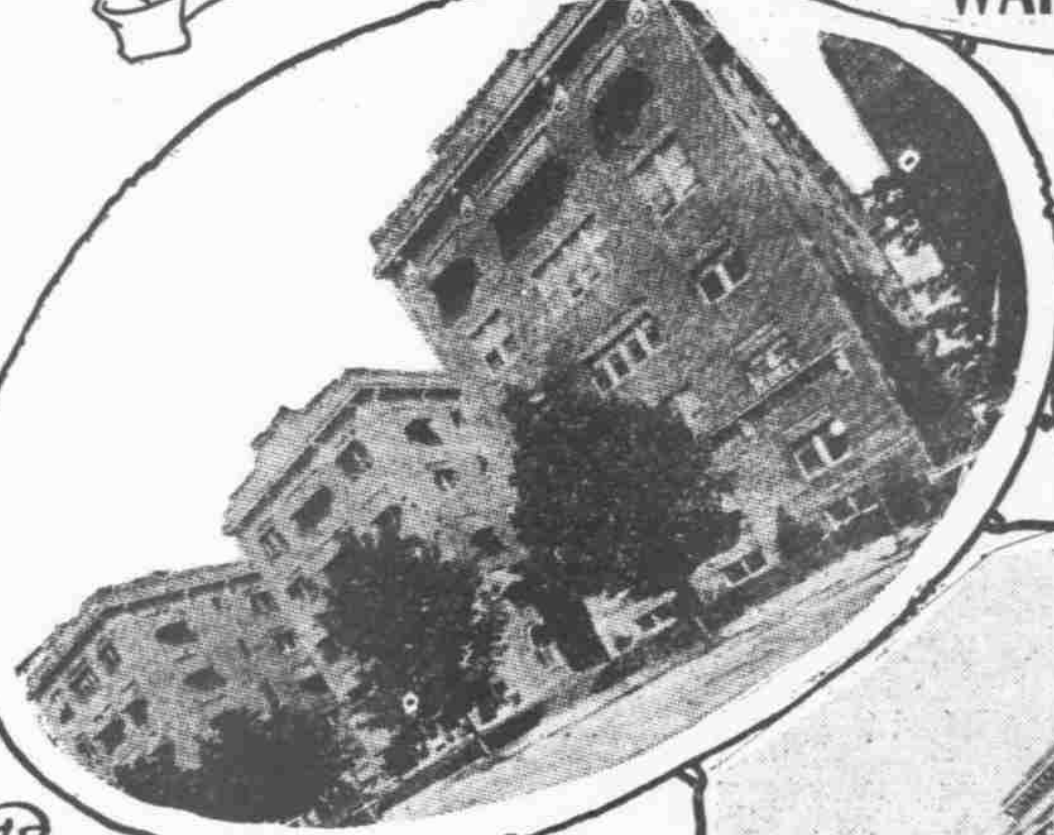
"From a social and political point of view, high wages is of inestimable advantage, in that it makes possible a higher standard of living which assures social contentment, industrial peace, and higher standards of civilization."

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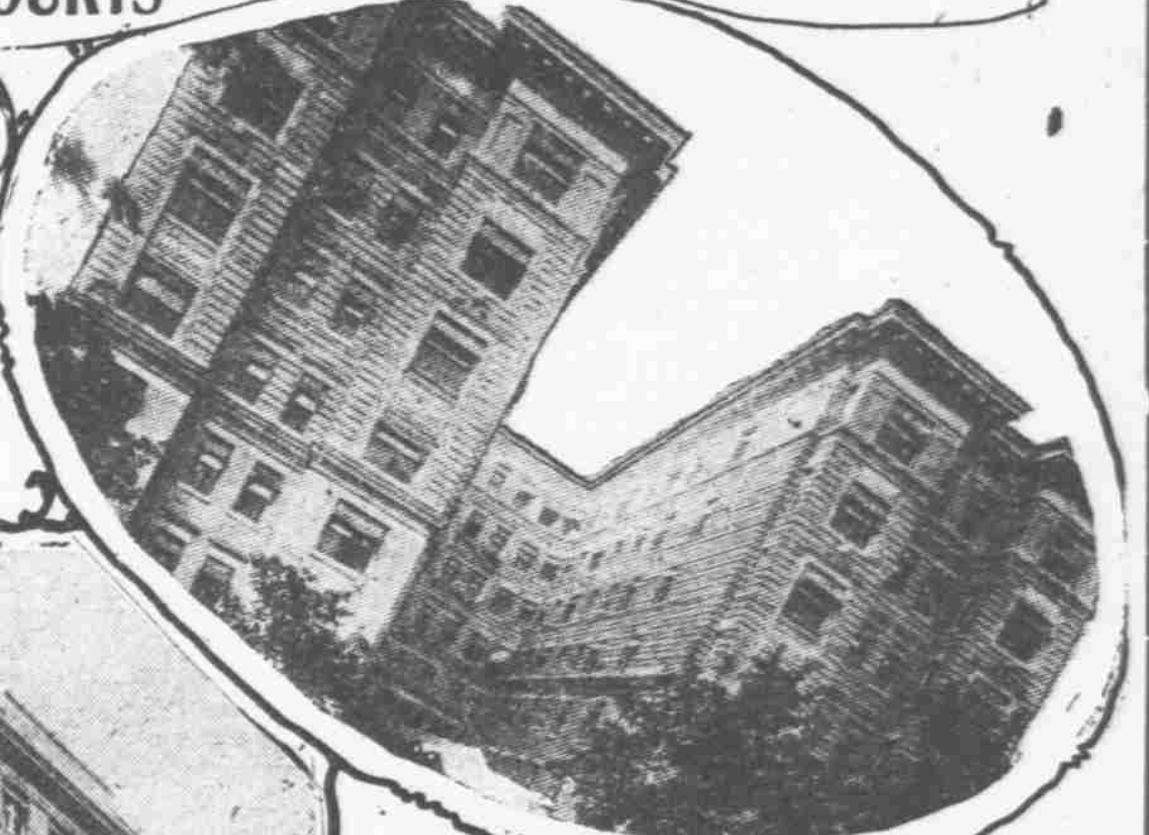
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